

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7009**

**BILL NUMBER: SB 423**

**DATE PREPARED:** Jan 25, 2002

**BILL AMENDED:** Jan 24, 2002

**SUBJECT:** Franchise Act Material Changes and Advertisements.

**FISCAL ANALYST:** Chuck Mayfield

**PHONE NUMBER:** 232-4825

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** (Amended) This bill requires that for certain persons connected with a franchise the securities commissioner must make a finding that the person creates an unreasonable risk before the commissioner may issue a stop order. It repeals the requirement that a franchisor promptly notify the securities commissioner in writing of a material change in the information contained in a registration by filing an application to amend the registration. The bill repeals the prohibition against publishing an advertisement concerning a franchise unless a copy of the advertisement has been filed with the securities commissioner. It also makes a conforming amendment.

**Effective Date:** July 1, 2002.

**Explanation of State Expenditures:** (Revised) The provision requiring the commissioner to issue a stop order based on a finding of unreasonable risk to prospective franchisees before would have no fiscal impact.

For CY 2000, the Secretary of State received about 660 registrations for the sale of franchises. The number of posteffective amendments to franchise registrations was not known. The Secretary of State's office believes about 25% of the registrations have one or more amendments during a year. If it is assumed that about 25% of the approximately 660 registrations average two amendments per year, then there would be about 330 amendments filed per year. The reduction in the filings would probably not reduce the agency's expenditures.

The repeal of the prohibition against publishing an advertisement concerning a franchise unless a copy of the advertisement has been filed with the Securities Commissioner would have no fiscal impact.

**Explanation of State Revenues:** The bill would reduce General Fund revenue. Currently the Secretary of State charges a \$50 fee for the filing of an amendment to a franchise registration. If it is assumed that about 25% of the approximately 660 registrations averaged two amendments per year, then there would be about

330 amendments filed per year and the reduction in General Fund would be about \$16,500.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Secretary of State.

**Local Agencies Affected:**

**Information Sources:** Linda Hayden, Securities Commission of the Secretary of State, (317) 232-6688.